

# The Gazette of India

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## PART V

**Bills introduced in the Council of State and Legislative Assembly, Reports of Select Committees presented to the Council and Assembly and Bills published under rule 18 of the Indian Legislative Rules.**

### GOVERNMENT OF INDIA

#### LEGISLATIVE ASSEMBLY DEPARTMENT

The following Report of the Select Committee on the Bill further to amend the Insurance Act, 1938 (Second Amendment), was presented to the Legislative Assembly on the 5th March, 1947:—

We, the undersigned, members of the Select Committee to which the Insurance (Second Amendment) Bill, 1946 was referred, have considered the Bill, and have now the honour to submit this our Report, with the Bill as amended by us annexed thereto.

*Clause 2.*—The definition of “banking companies” is in accordance with the definition in the Banking Companies Bill as revised by the Select Committee to which that Bill was referred. If the latter definition is hereafter modified, the former should also, we suggest, be altered in the same terms.

The Bill contemplates that apart from insurance agents licensed under the Act there should be only one other class of intermediaries remunerated on a commission basis, namely, chief agents employing not less than 12 agents and procuring for the insurer new business amounting to not less than Rs. 1,20,000 every year. An organisation of business on these lines may be feasible in the case of a few big companies, but we feel that the majority of the medium and small insurers will be handicapped in the development of their life insurance business by the abolition of the class commonly known as special agents or employers of agents. We have therefore suggested that provision should be made in the Bill as amended for two classes of intermediaries, (i) the chief agent who, in addition to procuring business by employing a considerable number of insurance agents either directly or through employers of agents appointed by him, performs various administrative or organising functions on behalf of the insurer in the region allocated to him, and (ii) the employer of agents who only procures business for the insurer by employing a few insurance agents for the purpose. We have accordingly altered the definition of “chief agent” and added a definition of “employer of agents”.

*Clause 3.*—The amendments made in this clause provide for a power to prescribe by rules, if necessary, the classes of business other than insurance business which insurers may be permitted to carry on.

*Clause 4.*—We consider that all co-operative life insurance societies to which Part IV of the Act applies should be exempt from the minimum limits laid down in sub-section (1) of section 4 and the position of such societies should be as it was before the Insurance (Amendment) Act, 1946. Section 5(a)(i) of that Act appears to have been incorrectly worded, and we have revised clause 4 in order to rectify this error.

*Clause 5.*—In regard to the capital structure of life insurance companies we have suggested an additional condition in sub-section (1) of the proposed section 6A that the paid-up amount should be the same for all shares, whether existing or new, except during call periods not exceeding one year. In view of this condition, we have modified the condition regarding voting rights of shareholders to conform to the usual rule of "one share, one vote".

Provision has been made in clause (b)(i) of sub-section (2) for ascertaining the extent of the interest of each beneficial owner where the transferee holds shares on behalf of others. The maximum holding under clause (b)(ii) has been slightly altered. Where shares of the insurance company are held by an investment company of which the transferee is a member, we consider it desirable that the fact should be taken into account in assessing the total paid-up holding of the transferee in the shares of the insurer. We have also added a new sub-section (5) requiring a large shareholder to dispose of the shares held in excess of the specified maximum.

The time allowed for making the declarations under sub-sections (3) and (4) has been increased from 14 to 30 days, and a penalty has been provided for failure to make a declaration under sub-section (8).

*Clause 7.*—We have modified a few items in the list of approved investments in sub-section (1) of the proposed section 27A, and added a few more to the list, and made it clear that the restrictions imposed by this section apply only to that part of the insurer's life insurance fund which relates to his business within India. As regards other investments, we consider it desirable to impose a maximum limit on their total value. It is not necessary, however, to require the unanimous consent of all the directors of the company present in India to any such investment, and we have suggested that the unanimous consent of all the directors present at a duly constituted meeting of the directors of which special notice is given to all the directors present in India should be sufficient.

Sub-section (6) has been amended to make it clear that applications for exemption should be made to the Superintendent of Insurance.

Sub-section (7) has been restricted in scope to fixed deposits, and the limitation to a rate of interest not exceeding the rate at which the insurer is to earn a higher rate of interest on such deposits.

We consider that the power to direct an insurer to realise unsuitable or undesirable investments under sub-section (8) should be conferred on the Central Government and that it should be exercised only after giving the insurer an opportunity of being heard.

*Clause 8.*—The certificate referred to in this clause need not, in our opinion, be signed by all the directors of the company. We have suggested instead a certificate signed by the chairman, two directors and a principal officer of the insurer.

*Clause 9.*—The quarterly reports provided in this clause have been called returns instead of statements and the provisions of section 21(1)(d) of the Act have been made applicable to them.

*Clause 10.*—In order to make section 30 of the Act applicable to contraventions of the provision suggested in this clause we have added it as a sub-section to section 29 instead of inserting it as a separate section after section 29. We consider it desirable to lay down a maximum limit for any temporary advance that an insurer may grant to an insurance agent, employer of agents or chief agent and to permit loans on reversions or life interests.

*Clause 11.*—A clarificatory amendment has been made in sub-section (2) of the proposed section 31A, and sub-section (4) has been omitted as being unnecessary.